

FOIA MARKER

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Folder Title:

SFOR [Stabilization Force in Bosnia and Herzegovina] Six-month Review [3]

Staff Office-Individual:

Kosovo Office-Schulte, Gregory

Original OA/ID Number:

1708

Row:	Section:	Shelf:	Position:	Stack:
39	1	7	1	V

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. note	Bosnia IWG. (1 page)	12/18/1998	P1/b(1)
002. cable	re: Bosnia: Compromise Reached on Pol-Mil Guidance for SFOR Six-Month Review; Urgent Guidance Request for OOB, Thursday, Dec. 3. [NATO] [Likely duplicate of vz6357_004, this case.] (10 pages)	12/22/1998	P1/b(1)
003. draft	Report. Achieving Success in Bosnia (24 pages)	12/04/1998	P1/b(1)
004. memo	For Samuel Berger from Robert Gelbard. Subject: Bosnia - The Year Ahead: U.S. Goals and Priorities for 1999. (9 pages)	11/20/1998	P1/b(1)
005. memo	For Samuel Berger from Greg Schulte. Subject: December 2nd Principals Committee on Bosnia. [Record ID: 9821053] [Duplicate of vz6260_004a, this case] (4 pages)	12/01/1998	P1/b(1)
006. memo	For Samuel Berger from Greg Schulte. Subject: SFOR's Six-Month Review. [Record ID: 9808024] [Duplicate of vz6251_005, this case.] (2 pages)	11/27/1998	P1/b(1)
007. report	OPLAN 10407. [pages 4 & 5 only] [See also vz6356_002c, this case] [NATO] (2 pages)	11/24/1998	P1/b(1)
008. note	To Greg Schulte. [Instructions to USNATO on SFOR Six-month Review]. [with fax cover] (2 pages)	11/30/1998	P1/b(1)
009. cable	re: Bosnia: POL-MIL Guidance for SFOR Six-Month Review; Urgent Guidance Request for OOB, Nov 30. [NATO] (7 pages)	11/27/1998	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Kosovo Office (Schulte, Gregory)
OA/Box Number: 1708

FOLDER TITLE:

SFOR [Stabilization Force in Bosnia and Herzegovina] Six-Month Review [3]

2008-0994-F

vz6358

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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INTERVENTION AT THE 1998 PEACE IMPLEMENTATION COUNCIL

BY DEPUTY SECRETARY OF STATE STROBE TALBOTT

MADRID, DECEMBER 15, 1998

AS DELIVERED

Let me begin by stating that the United States associates itself with the goals and priorities articulated by previous speakers. Of these objectives, I would stress the vigorous pursuit and prosecution of war criminals, and I would add the need for strong continued support for Roberts Owen and Bill Farrand in the difficult and critical work they are doing on Brcko. With respect to returns, the United States has just announced that it will devote another \$20 million to this aspect of our mission.

I also agree with others that we must help the parties build on hard-won achievements to date, such as the common currency and common license plate, with progress on the joint institutions that were mandated in Dayton. Advancing all these goals discussed this morning is essential if Bosnia-Herzegovina is ever to evolve into a strong, single state, composed of two multi-ethnic entities.

If we relent in our commitment to that outcome, it will only encourage those inside Bosnia — and in neighboring countries — who favor and foment partition, secessionism and irredentism. Each of these phenomena alone (not to mention all of them in combination) could, and probably would, trigger another war.

Obviously, in the final analysis — and here, let me stress that there is complete agreement between my government and that of the Russian Federation as articulated by my friend and colleague Foreign Minister Ivanov — that it is up to the three main communities in Bosnia-Herzegovina whether they ever live in one true state. It is, after all, their country and no one else's. We cannot force the people and leaders of Bosnia-Herzegovina to implement Dayton; we cannot impose on them our interpretation of what Dayton means.

What we can do, and here I echo what Carlos Westendorp said, is to work with those inside Bosnia who believe in Dayton to create conditions

for full implementation. There are such forces in Bosnia – there are more today, and more action today, than a year ago. They are asserting themselves — and they are beginning, slowly but surely, to prevail over the retrograde, vengeful and violent forces with which they, and we must contend. They are doing so in large measure because of our support.

With us, they will succeed; without us, they will fail. I wish I could say it's that simple. But actually it's not, because even with us, they will fail if members of the Joint Presidency and the Council of Ministers let short-sighted and parochial interests paralyze them from making progress toward the practical manifestations of a single state.

Given how much hard work remains under the rubric of peace implementation (and hear again I add my voice to what Carlos Westendorp said), it would be premature, even disastrous, to reduce the international community's commitment in Bosnia. That temptation looms dangerously for two reasons. First, there is, after three years of exertion, investment and — let's face it — some frustration, a certain amount of weariness on the part of all of us, both at the level of individuals and at the level of governments.

Second, there's Kosovo — another expensive, frustrating and, as we were reminded so tragically yesterday, dangerous Balkan challenge that sometimes competes with Bosnia for our attention, energy and resources. To the delegation of France, I add my own sympathies to those I am sure you have heard from others for the loss of your colleagues.

I believe we have successfully used this conference to inoculate our efforts and its instruments – especially SFOR, OSCE and the Office of the High Representative – against both the fatigue that might accompany what sometimes seems a task similar to that of Sisyphus and against the distraction of Kosovo.

We have agreed that Carlos should have all the tools necessary for him to maintain, on our behalf, the momentum of the international effort. This past year's accomplishments underscore the wisdom of our decision to broaden OHR's authority, and the coming year's challenges — especially the municipal elections — may require providing OHR with a few more tools.

None of this is to deny the need for an exit strategy. Here too, I agree with the essence of what Foreign Minister Ivanov said: no one wants Bosnia-Herzegovina to become a ward or protectorate of the international

community. In fact, an intensification of our effort in Bosnia is actually crucial to our exit strategy. We are closer today to successful completion of our task than when we last met in Bonn. But we are not so close that we can afford to look so longingly and so impatiently for the exit that we lose our focus on, and our commitment to, the strategy itself. That strategy is now, as it was in Dayton, to concentrate on those initiatives and programs that serve to whittle down the inter-entity boundary lines and to build up central institutions.

Mr. Chairman, only by persisting in those goals can we hasten the day when the PIC and SFOR, both as acronyms and institutions, can be retired with honor, and the people of Bosnia and Herzegovina can do what they surely most want — and that is to stand on their own feet, govern their own country and join the community of nations represented here.

Thank you very much.

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98 11 23	WASHFAX RECEIPT Department of State B S/S #	8 6219 0014100
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MESSAGE NO 00014100 **CONFIDENTIAL**NO. PAGES 9

FROM: Thomas R. Favret S/SR - State 647-0445 6219
(Officer Name) (Office Symbol) (Extension) (Room Number)

MESSAGE DESCRIPTION: Gelbard Memo to National Security Advisor

TO: (Agency)	DELIVER TO:	EXTENSION	ROOM NO.
NSC	Greg Schulte, Special Advisor to the President on Bosnia	456-9151	

FOR: Clearance ☐ Information ☐ Per Request ☒ Comment ☐REMARKS: As we discussed, please find attached Amb. Gelbard's memo to Sandy Berger.Original sent via courier.

S/S Officer: _____

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ATTACHMENTS
Initials: VL Date: 5/6/20242008-0994-f-3

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THE WHITE HOUSE
WASHINGTON
September 14, 1998

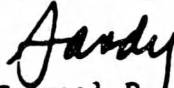
Dear Janet:

With this year's elections in Bosnia and Herzegovina about to be complete, we are now beginning to focus our attention on a post-election strategy to further consolidate implementation of the Dayton Accords and thereby create the conditions for a reduction in our military presence. A fundamental component of our post-election strategy will be continued efforts to enhance public security through the reform and restructuring of the local police, judiciary and penal system.

Bob Gelbard, the President's Special Representative for Implementation of the Dayton Peace Accords, has spoken to Louis Freeh about additional FBI support for restructuring the local police in Bosnia and increasing their ability to counter organized crime, corruption and drugs and arms trafficking. The FBI has sent several teams to Bosnia to conduct assessments, but has not yet moved beyond assessments to the provision of training and other forms of support. The FBI can play an important role in strengthening law enforcement capabilities in Bosnia, and I would ask that you work with Bob to determine what additional support can be provided.

Without progress in improving public security in Bosnia and establishing the rule of law, it will be difficult to achieve progress in other aspects of Dayton, including the return of refugees to minority areas. Your support is therefore important to Dayton's success.

Sincerely,



Samuel R. Berger
Assistant to the President for
National Security Affairs

The Honorable Janet Reno
The Attorney General
Washington, D.C. 20530

cc: Secretary Albright

~~CONFIDENTIAL~~

Reason: 1.5(b), (d)

Declassify on: September 4, 2008

DECLASSIFIED
E.O. 13526

White House Guidelines, May 16, 2017

By NR NARA, Date 5/6/2024

7008-0444-7.3

THE WHITE HOUSE
WASHINGTON
September 14, 1998

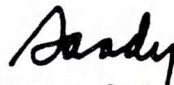
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Bob Gelbard, the President's Special Representative for Implementation of the Dayton Peace Accords, has spoken to Ray Kelly about how Customs can contribute to this effort by helping to create a functioning customs service in Bosnia with enforcement capabilities. You have already seconded a senior Customs agent to the State Department to advise him and General Clark on this subject. I would ask that you now work with Bob to make experienced customs personnel available to the European Union's Customs and Fiscal Assistance Office in Bosnia and to consider other forms of possible support.

Without progress in improving public security in Bosnia and establishing the rule of law, it will be difficult to achieve progress in other aspects of Dayton, including the return of refugees to minority areas. Your support is therefore important to Dayton's success.

Sincerely,



Samuel R. Berger
Assistant to the President for
National Security Affairs

The Honorable Robert E. Rubin
Secretary of the Treasury
Washington, D.C. 20220

cc: Secretary Albright

~~CONFIDENTIAL~~

Reason: 1.5 (b), (d)

Declassify on: September 4, 2008

DECLASSIFIED
E.O. 13526
White House Guidelines, May 16, 2017
By VR NARA, Date 5/6/2024
2008-0444-F.3



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

To: SCHULTE

FYI.

SECRETARY OF THE TREASURY

November 4, 1998

Mr. Samuel R. Berger
Assistant to the President for
National Security Affairs
The White House
Washington, D.C. 20500

Dear Sandy:

Thank you for your letter requesting U.S. Customs support for creating a functioning customs administration in Bosnia.

I concur with your assessment of the importance of establishing an effective customs administration in Bosnia, both to enhance public security and to provide a reliable source of revenue to support other functions of the government. To this end, the U.S. Customs Service is currently participating in the Southeast European Cooperative Initiative (SECI), which is aimed at improving regional co-operation in the Balkan area, including Bosnia and Herzegovina. One of SECI's primary objectives is the enhancement of border control operations of member states.

Because Customs' funding is not authorized to be used for foreign training and assistance, and Congress has in the past been reluctant to provide funding for such purposes, Customs' involvement in projects such as this depends on funding from other federal agencies, donor organizations, or the recipient nations. For example, Customs' involvement in the SECI is funded by the State Department, with the World Bank providing financial support for infrastructure development.

I have asked Under Secretary for Enforcement, James E. Johnson, and Customs Commissioner, Raymond W. Kelly, to explore with Bob Gelbard both the nature of support that Customs can provide and the need for funding from an appropriate source.

Sincerely,

Robert E. Rubin

P. J. - Sandy, I think there will be
OK, if the funding can be
found, as per the above.

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Schulte, Gregory L.

From: WHSR
Sent: Friday, November 20, 1998 2:24 AM
To: Bandler, Donald K.; Bell, Robert G.; Bouchard, Joseph F.; Butler, Lawrence E.; Clarke, Richard A.; Davidson, Leslie K.; Dowling, John N. (Nick); Gordon, Philip H.; Hurley, C. Michael; McEldowney, Nancy E.; Sapiro, Miriam E.; Schulte, Gregory L.; Witkowsky, Anne A.
Subject: GUIDANCE FOR 11/20/98 NAC INITIAL DISCUSSION

CLASS: ~~CONFIDENTIAL~~
DTG: 200704Z NOV 98
MSGTO: RUEHNO/USMISSION USNATO IMMEDIATE 0000
ORIG: SECSTATE WASHDC
PREC: IMMEDIATE
SSN: 6254
TOR: 981120020241 M3566989

DECLASSIFIED E.O. 13526
Department of State Guidelines, November 6, 2015
By VR NARA, Date 5/7/2024
2008-0714-F-3

~~CONFIDENTIAL~~ STATE 216254

E.O. 12958: DECL: 11/19/08
TAGS: PREL, MARR, NATO, NAC, SR
SUBJECT: GUIDANCE FOR 11/20/98 NAC INITIAL DISCUSSION
OF SFOR SIX-MONTH REVIEW

REP: USNATO 3121

CLASSIFIED BY BARBRO OWENS KIRKPATRICK, DIRECTOR,
EUR/RPM, FOR REASONS 1.5 (B) AND (D).

1. (C) BELOW IS GUIDANCE FOR THE NOVEMBER 20, 1998, INITIAL NAC DISCUSSION OF THE SFOR SIX-MONTH REVIEW (SMR). WASHINGTON AGREES WITH SHAPE'S ASSESSMENT THAT NO MAJOR REDUCTIONS IN FORCE LEVELS CAN TAKE PLACE IMMEDIATELY. WHILE THERE HAS BEEN SIGNIFICANT IMPROVEMENT IN THE SITUATION ON THE GROUND IN BOSNIA AND HERZEGOVINA, RISK FACTORS AND GOALS FOR CIVILIAN IMPLEMENTATION REMAIN SUCH THAT A CONSIDERABLE SFOR PRESENCE IS STILL REQUIRED.

2. (C) WASHINGTON ALSO AGREES WITH SHAPE'S ASSESSMENT THAT OUR LONG-TERM GOALS IN BOSNIA AND HERZEGOVINA CAN

BE BETTER SERVED BY A DELIBERATE RESTRUCTURING OF SFOR BOTH TO IMPROVE ITS INTERNAL OPERATIONS AND TO RESPOND TO CHANGING SECURITY NEEDS AS DAYTON IMPLEMENTATION PROCEEDS. THE PUBLIC MESSAGE WE WISH TO CONVEY IS THAT THE FIRST SMR HAS STARTED A PROCESS OF SFOR RESTRUCTURING IN RESPONSE TO PROGRESS ON DAYTON IMPLEMENTATION, WHICH INITIALLY SHOULD INCLUDE ADMINISTRATIVE ADJUSTMENTS AND STREAMLINING, BUT IN THE FUTURE SHOULD INCLUDE MORE FUNDAMENTAL FORCE STRUCTURE CHANGES. SUCH CHANGES SHOULD NOT IMPACT SFOR'S ABILITY TO CARRY OUT ITS PRIMARY MISSION.

3. (C) SPECIFIC POINTS FOR THE INITIAL DISCUSSION OF THE SMR INCLUDE:

-- THE THREE AREAS OF CONCENTRATION IN THE ASSESSMENT PROCESS IDENTIFIED IN SG(98)1191 -- MILITARY STABILITY, PUBLIC SECURITY, AND THE RETURN OF REFUGEES -- ARE LEGITIMATE STARTING POINTS TO CONSIDER IN THE DEVELOPMENT OF PCG GUIDANCE TO NMAS TO STUDY FUTURE FORCE ADJUSTMENTS AS PART OF POSSIBLE SHIFTS IN SFOR'S CONCEPT OF OPERATIONS. AS PART OF THIS ANALYSIS, NMAS SHOULD ALSO CONSIDER THE POSSIBLE CONSEQUENCES OF THE

BRCKO DECISION, PERSONS INDICTED FOR WAR
CRIMES/SUPPORT TO ICTY, AND ILLEGAL INSTITUTIONS.
MISSION SHOULD ENSURE THAT THE DOOR IS LEFT OPEN FOR
FLEXIBILITY AS WE PROCEED THROUGH THE REVIEW PROCESS
IN THE MC AND THE PCG.

-- ACCORDINGLY, MISSION SHOULD PRESS FOR AMENDING
PROPOSED RECOMMENDATION 5(A) OF SG(98)1191 TO READ,
"THAT COUNCIL TASK THE PCG TO PREPARE COMPREHENSIVE
POL-NIL GUIDANCE FOR NMA'S TO DEVELOP PROPOSALS FOR
THE FUTURE OF SFOR, TAKING ACCOUNT OF THE PROGRESS
REPORTS BY BOTH THE NMAS AND THE HIGH REPRESENTATIVE."

-- MISSION SHOULD ALSO PRESS FOR DELETION OF THE
COUNCIL'S PROPOSED RECOMMENDATION 5(B). THIS
RECOMMENDATION HAS THE POTENTIAL TO INSTITUTIONALIZE A
CHANGE IN THE METHODOLOGY FOR DETERMINING THE PRIMARY
FORCE DRIVERS FOR SFOR, I.E., THE KEY MILITARY TASKS
ASSOCIATED WITH ANNEX LA OF THE GFAP. SUCH A DECISION
SHOULD BE MADE PART OF THE DISCUSSION IN THE PCG
REVIEW PROCESS.

--WASHINGTON AGREES WITH RECOMMENDATIONS 5(C) AND
5(D) .

-- WASHINGTON SUPPORTS STUDYING THE CONCEPT OF DRAWING
DOWN TWO NON-NATO MANEUVER BATTALIONS UPON PROVISION
OF THE SECOND MSU BATTALION. WHILE WE RECOGNIZE FULLY
THE RECRUITMENT AND OTHER TECHNICAL PROBLEMS
ASSOCIATED WITH THIS CONCEPT, IT REMAINS THE BEST
OPTION FOR ADDRESSING THE SECURITY GAP BETWEEN "HEAVY"
ARMED FORCES AND CIVILIAN POLICE THAT HAS EMERGED AS
DAYTON IMPLEMENTATION HAS PROGRESSED. MISSION SHOULD
PRESS FOR FOCUS ON THIS CONCEPT.

-- THE U.S. IS NOT/NOT OPPOSED IN PRINCIPLE TO
ADOPTING A MORE FLEXIBLE APPROACH TO MND BOUNDARIES.
THIS IS AN AREA, HOWEVER, THAT REQUIRES FURTHER
ASSESSMENT OF ITS CONSEQUENCES.

-- WASHINGTON IS ALSO PREPARED TO CONSIDER THE IDEA OF
THE SMR BEING USED TO LAUNCH A MORE IN-DEPTH REVIEW OF
SFOR PRIOR TO THE WASHINGTON SUMMIT. THIS REVIEW
COULD BE LAUNCHED BY THE NAC/O ON DECEMBER 17-18
TAKING INTO CONSIDERATION THE CONCLUSIONS FROM THE
FOREIGN MINISTERS MEETINGS ON DECEMBER 8-9, IN
ADDITION TO THE PIC MINISTERIAL ON DECEMBER 15-16.
THE GOAL OF THIS REVIEW WOULD BE TO ESTABLISH NEW WAYS
FOR SFOR TO ACCOMPLISH ITS BASIC MISSION AND PRINCIPAL
TASKS IN A CHANGING ENVIRONMENT, TAKING INTO ACCOUNT
PROGRESSIVE ACCOMPLISHMENT OF DAYTON GOALS.
ALBRIGHT

TO: BERGER

FROM: SKLAR, RICHARD

DOC DATE: 22 NOV 98
SOURCE REF:

KEYWORDS: BOSNIA-HERCEGOVINA

UN

PERSONS:

SUBJECT: CURRENT STATUS OF EFFORTS TO FREE BOSNIA FM DEPENDENCY

ACTION: FOR RECORD PURPOSES

DUE DATE: 03 DEC 98 STATUS: C

STAFF OFFICER: NONE

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

BANDLER

SCHULTE

COMMENTS: STAFFING PER APNSA

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSTTS

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DOC 1 OF 1

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ACTION DATA SUMMARY REPORT

RECORD ID: 9808015

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

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PLS. RETURN
COPY TO APNSA

MEMO COVER

From: Ambassador Richard Sklar
Representative for Management and Reform

US Mission to the United Nations

Tel: 212 415 4032

Fax: 212 415 4183

To: Madeleine Albright
Marc Grossman
cc: Jim O'Brien
Phil Goldberg

Sandy Berger ✓
Bob Gelbard
Jim Steinberg

Date: 22 Nov 98

Pages: 14

Dear Friends,

Now after four months of intense re-involvement in Bosnia, I feel compelled and capable to give you my views of the current status of our efforts to get that country out of dependency and to layout my suggestions for how we ought proceed.

I don't paint a pretty picture. I'm not good at playing the Emperor's new clothes.

I consider it would be waste of USG time and money to not make some significant mid-course corrections in what we are trying to accomplish and how we proceed.

I would like to at discuss my thoughts with you, and others you consider interested before year end.

Best regards,


Dick Sklar

Bosnia Scorecard and Program for the Next Act:

It is now three years since Dayton, and inclusive of the costs of SFOR, IFOR and related support, the International Community has poured billions of dollars and countless man-years of investment into BiH.

What do we have to show for this investment of people, political capital and money? What should we do next? And, what results can we expect and when?

It has been 20 months since I exited Bosnia after my 10 month tour as the President's and Sec State's Representative. On my exit I offered personal observations as to the state of play and suggested next steps in a memo to both of you. I amplified these comments in further memos and discussions with your staffs.

I have now been re-involved with the Bosnia for four months at the request of Bob Gelbard and MKA. I have concentrated my work on the revitalization of the economy coupled with negotiating the now signed agreements on the Ploce and Special Relations Agreements, which are themselves related to economic revival.

Based on my current observations, I offer the following general comments, "grade" and offer detailed comments on the level of achievement or lack thereof across the range of our interests along, and offer suggestions as to how we might proceed. My comments on the economic front are the most extensive since I consider this the most critical area for ongoing efforts.

I am convinced that the stability needed to permit an exit of our security forces and reduction of our economic aid depends more on building a sustainable economy than any other factor. Other desired conditions will only be met if we can meet this goal. Sadly, we show less progress in this area than in almost any other.

GENERAL COMMENTS:

1. Dayton's concept of a single multi-ethnic state with two entities and three "peoples" was a fine recipe to end the war, but is and will continue to be a failure as a mechanism to build long term integration and enough stability to let us get out.

a. Dayton left the inmates in charge of the asylum, and subsequent elections have done nothing to change the situation. The individuals with power in all three groups have no self interest in making either the political or economic changes envisioned by Dayton's authors or the International Community(IC). They are better off under today's system of divided power and a "failed" economy than they ever would be under democracy, integration and a market economy.

b. Although pre-war 40% of the urban marriages were multi-ethnic, most of these folks have left the country or are consistently "outvoted" by the wounded and bitter peasantry who are manipulated by the politicians.

c. Even if, by magic, we could install progressive powerful leaders it would take two generations to build a consensus for a true democratic multi-ethnic society.

2. The economy is shambles. Not due to the war, but 45 years of Communist mismanagement. As I stated in 1997, in the media though out the region and at the DC two weeks ago, the IC money and pressure has had almost no effect in building a sustainable market economy.

a. The leadership doesn't want a true market economy, and probably doesn't even understand what we mean by these words.

b. There is no entrepreneurial spirit amongst the citizens.

As Bill Perry told me in 1996 when I went in, the contrast between Berlin in June 1945, where the citizens were cleaning up and rebuilding while the fires were not yet out in the buildings, and Sarajevo is polar. Either 500 years as a colony or subservience to 50 years of dictatorship, has driven all evidence of entrepreneurship out of these people except for the instinct to avoid the rules and steal.

c. There are no skilled managers.

d. Corruption in both the smuggling and tax evasion field is the order the day. Solid estimates tell us that the amount of loss revenue from smuggling and tax evasion exceed the total of IC assistance each year.

e. No outside investor in his right mind would invest in this country.

f. BiH along with the other components of FRY are not big enough to be viable alone. All dream of becoming part of Europe, but until they can be re-integrated economically, Europe will only laugh at their desire for inclusion.

3. With minimal military involvement in country or nearby, we can maintain an absence of war, but without some in country management of the system of policing and justice administration inter-ethnic violence and harassment will continue.

As can be seen from the following comments on various areas, I feel that with the exception of the military effort, we are wasting our time and money.

RECOMMENDATION: UNLESS WE MOVE FROM THE CURRENT MODE OF ATTEMPTING TO PERSUADE AND INFLUENCE TO A DIRECTIVE MANAGERIAL MODE MUCH LIKE "MacArthur in Japan-1945-46" WE WILL CONTINUE TO SPIN OUR WHEELS AND WASTE OUR MONEY.

Detailed Current Status of Various Areas of Activity: ("Grades are on a 1-10 scale)

I. Military Security: Grade 8: With the exception of the unwillingness of IFOR and SFOR to reach beyond their base mission of containing the parties armies, they would rate a 10. The armies are contained, no hint of movement exists, some progress in demilitarization, mainly due to the obsolescence of equipment and lack of funds for repair, has occurred.

I remain an opponent of Equip and Train. We should be building down towards a Costa Rican model to get equality, not building up. There seems to be some European sentiment for tying ongoing assistance to a decrease in the military budgets of the parties. I am all for this. The Bosnians are now the strongest internal force although in a cross border fight, they probably would be again pushed around by JNA and the Republic of Croatia forces.

IFOR still will not take advantage of its muscle in quasi civilian roles. The police are not strongest enough or willing enough to deal with the politically linked organized crime or inter-ethnic harassment. **The new "carbineri" model must be tested, and if successful expanded.** War criminal apprehension is non-existent, and I regret that this effort will never be undertaken.

II. Refugee Return: Grade 2: (with return to minority area being no better 1). In January 1997, I said ,

" There will be no significant return of refugees or displaced persons to areas where they will be in the minority during our life times. Even when one gets away from the nationalist leaders, one cannot find any significant number of citizens who contemplate living together."

I was right then, and the same is true today.

Refugee return and minority refugee return are not projects or processes, but goals that will only be met after we have achieved other more prosaic objectives.

Refugees will only return if they see a chance to support themselves and their families. Today they do not and they are correct. Welfare in Hamburg or Stockholm is a more sensible alternative than being a returnee anywhere in BiH.

In addition to a job, return to a area where you are in the minority requires one to feel a minimal level of security in addition to having a chance to earn a living. As despised as the refugees are in European cities, at least they don't fear unrestrained mob violence and harassment from which the local police and the IC are unable or unwilling to protect them

RECOMMENDATION:

1. Drop the mantra of Minority Refugee return except as needed to keep the Europeans happy. It won't happen and why set ourselves up for failure.

III. Police Reform and Judicial Reform: Grade 4-Policing, Grade 1-Judicial Reform: Next to the military, we have probably invested more manpower in trying to build an effective, modern, ethnically neutral and non-corrupt police presence than in any other field.. We have had modest success in moving the police from a "control" to a "service" mode.

IPTF has been a mixed bag. Some great successes have been achieved at the local level, but too many of the IPTF officers are here for the money or for something to do during retirement. We will have to move towards greater disciplining of recalcitrant and non-performing local police. We can't leave the criminals in charge of the policing as they are in too many places.

RECOMMENDATIONS:

1. Build on the "Carabinieri" presence as a supra-police with real power to intervene.

2. Give HR power to dismiss local police leadership immediately based upon failure to protect against ethnic violence even without proof of police complicity. Failure to achieve results which results in banning of local police leadership from future employment may scare the rest into performance.

3. Appoint European Justices to supervise prosecution and courts in all Cantons. Give the power to overrule the process till the process proves competent and non-corrupt.

IV. A Sustainable Economy: Grade 1+-In this most critical area we see no measurable results. Unless BiH can build a sustainable economy none of our other goals will be met. We will have to carry this "basket case" of a country for the foreseeable future.

The economy is sustained by the expenditures, loans and grants of the IC. Our money goes round in circles with multiplying affect, but if we exited tomorrow there would be almost no economy, no jobs, and no prospects in place. Bosnians are employed as drivers, security guards, translators, cleaners, clerks and engineers by the IC. Others gain employment due to the money we spend in the shops and restaurants. Businesses sell us supplies, utilities, equipment, or build infrastructure with our money.

There are virtually none of the pre-war employment generators in industry or commerce now working. Some are still limping along paying some wages to some people. Government is still subsidizing dinosaur factories. This is after three years of peace, and billions in assistance. We have failed to achieve first order victories in this field.

We have been concentrating our efforts in needed Macro Economic Reform, and this with only slow and grudging progress. It took two years to get a common currency. There are still no modern private functioning banks, and no central banks worthy of the name. Taxes are levied at ridiculous rates, and not collected. Corruption, smuggling and tax evasion being at the forefront are rampant.

The privatization process has consumed much time and money, and helped sustain IC consultants, but **nothing has been privatized except by theft of assets by friends and families of the ruling elite.**

"Managers" are still locked into a Communist mentality. Those that want to truly manage don't know how. Others want the power and freedom, but take no responsibility. Factories are empty and idle.

How, I asked the Economic Advisor to PM Dodik, do the people not employed by the IC survive. His answer was that housing is occupied as before without rent, the government supplies utilities and everybody has friend or family on a farm who will trade food for work. In the countryside, subsistence is even simpler since where the home was not destroyed, one must just grow enough to eat.

Following are some detailed comments and recommendations in various economic areas. **Here we must definitely move from a persuasive mode to the "MacArthur" model or else just drop all our efforts. We should also aim at quick fixes rather than solely trying to build the needed long term institutions. We need to get employment centers working.**

RECOMMENDATIONS:

1. Make Economic Revitalization the prime activity of the IC.

A. Instantly privatize all small retail business that meet minimal criteria. I have proposed such a plan to the OHR, USAID, and WB. All seem supportive. This is something we can do now. It will give all the legitimate shopkeepers across the country a stake in their business and the place in which it operates. My suggested plan is:

1). On a date certain announce that effective within 90 days all operators of retail shops who have operated the facility continuously since the date of the Dayton signing, have ten or less employees, have one or more family members in direct charge, then continue to operate the shop for three years after the operative date shall be given free and clear title to the business and the place in which it operates.

B. We should take over the re-start up of at least 50 large (potential to employ at least 200 employees each) businesses country wide during 1999.

1.) Rather than await formal privatization, we would use IC TDA/OPIC/AID/EXIM/IFC type assistance to identify viable business components, provide TA, start up capital, help find strategic partners, put foreign manager/mentors in place, and help find markets for the products or services.

2.) We should divide this work up amongst the major donors: EU, EBRD, USAID, GTZ, UK ODA, IFC, etc. We must not compete, but work together.

3.) Work to build partnering with enterprises in the other parts of former Yugoslavia. Unless we foster inter country sales and production we will not find sufficient markets to sustain these businesses.

4.) Use consultant contracts in place that can be diverted to this work from some of the macro economic reform efforts.

5.) Establish a trustee form of ownership of these businesses with IC acting as Trustee during this start up phase. We can't wait for

privatization, and we will have an entity that will be more effectively and honestly privatized if it is a working business two years out.

6.) We must do the same with at least six banks nationally.

C. Macro Reform: Much is underway, but little has been completed. Virtually none of the institutions or processes are operative. There are always reasons why: legislation, inter-ethnic differences, incompetence of government officials, Communist legacy. US AID has listed at least 15 project areas that need assistance. Many relate to privatization beyond the voucher program. We must get on with these activities.

1. We should simply have the OHR mandate the laws and regulations that are needed pending enactment by the governments. The governing officials have all the time in the world. They are all eating. They all have jobs. They doubt we will leave.

2. We should take over implementation with IC consultants and Bosnians that we pick to staff these operations. We should work to a complete handover to teams we have trained within three years, but we should not wait for local bureaucracies to carry out this work. We must stop being advisors and start being doers. There are Bosnians who are intellectually capable of doing this work if empowered and trained.

3. We should implement and operate a tax collection system on a EU model. Again, we can't wait for this country to leave it's Communist heritage and shape up. This will also attack one of the two major pillars of corruption (See below).

4. We should search out prospective leaders for these economic institutions and managers for the businesses and educate them as to how a market economy operates. This would include training in Western institutions, education in Bosnia and OJT with mentors.

D. Statewide Utilities: Railroads, Electric Power, Telephone: Grade 3+: The good news is that all these areas are operative at a level commensurate with demand. The bad news is there are three of each in a country of 2.5M people. Ludicrous.

1. Railroads: Since we paid the money to get the roadbeds in place, provide for rolling stock, etc, we should implement the model that Paul Monnery (EBRD) and I developed with the help of the European Union of RR in 1996. This model was ignored after I left. Paul was never strong enough to put in place. We have three RR operations. There must be:

a. Through train service with no change of personnel or equipment on the inter-entity borders.

b. A single company to own, control and maintain the track and wayside facilities (signals, traction power, communications).

c. A single rolling stock owner.

d. A multi ethnic management and work force.

We still have some economic leverage in this area. The need electrification, signalization and communications systems.

2. Electric Power: The country has more than enough generating capacity for present demand. The network is up and running although there are still restoration needs. There should be:

a. One generating company. It is absurd that based on geography some areas ended up with power surpluses and power costs lower than others due to the borders encompassing hydro or fossil fuel facilities. These facilities were paid for by all the citizens and costs and benefits ought to be shared by all.

b. One transmission company with one control center: The fear of all is that if there is centralized control in a conflict they could be shut out of power. Let's rebuild the common control center and give operation to an IC controlled body for the next ten years.

c. Distribution can be left to the cantonal or municipal companies provided that they agree to charge common rates to common classes of customers, and maintain services on an equal basis.

3. Telephone: This money making operation may well be the lifeblood of the elite and the parties. It surely is a money maker on the Bosniak side. Rather than press for a break up, I suggest we impose a nationwide cell system available to both locals and the IC which will siphon off the revenues of the local system until they agree to integration and a regulatory shape up. The privatized system we bring in could then be offered for acquisition by the local community. Given the volume of IC usage, which could be diverted to cell from the local hard wire, I am sure we could find a willing investor.

E. Rebuilding Economic Linkage Though out the former Yugoslavia: None of these countries/entities is strong enough to go it alone economically. None are large enough markets to support an industrial or commercial base. We must force fair integration. All must be made to understand that Europe will only be open to them when they have proved they know how to be part of an integrated democratic market system.

We must build fair linkages so that the strong won't overwhelm the weak. We must look for pre-war linkages and rebuild them The VW plant offers a unique opportunity to search out pre-war suppliers from all parts of the FRY and get them back into the sub-contracting loop. The planned Croatian gas pipeline to Italy needs Bosnian customers. The aluminum facilities in Mostar, Zvornik, and in Montenegro ought to be examined as a whole. The refinery at Bosanski Brod can take the load of imports by all.

We need an integrated approach to all these economies. The integration has to extend to the whole IC assistance program.

V. Corruption, Tax Evasion, and Smuggling: Grade 2+ Extrapolating information provided by Allan Jensen, the very capable Dane who heads EC-CAFAO, the anti-smuggling operation, it is clear that loss of government revenues to smuggling and tax evasion exceed the total of IC assistance each year.

1. Smuggling: Jensen is making progress on the smuggling front. The Entity Customs operations are starting to work together. The largest arrest of trucks, drivers and

a few others further up the feeding chain has just been made. Jensen estimates the value of the goods seized in this single operation exceeds 200M DM and the potential loss revenue to the government was 50M DM.

The challenge is now to get the folks prosecuted and punished. Tied into that is to use the arrestee to pin responsibility on the higher ups. Jensen asked me on my last visit to help him get the leadership to lean on the prosecutors and judges to do their duty. In the past those arrested have been let go, and in fact the goods confiscated and bonds forfeited have been returned to the smugglers. Guess why?

These operations are tied to the those with clout in the government or organized crime who have greater sway over the legal system by payoff and fear than do the highest levels of government. I obtained promises from the Federation leadership and Izetbegovic to go public with their support of the judicial system in an attempt to put pressure on the players. This is a real test of whether there is any hope to end these practices.

2. Tax Evasion: Jensen did a study of a small group of Sarajevo businesses and found at least 175M DM of annual tax evasion. It is difficult to extrapolate what this means nationally. Essentially, no one is paying taxes except on the limited import of non-smuggled goods.

Perhaps we ought to take over the tax collection system on the basis that revenues required for WB and EBRD loans are in jeporday until Bosnians can prove they can make a system work effectively and honestly.

3. The Thugs: In my 1997 memos, I said we had to eradicate the Mostar Mafia if we were to have any hope of keeping the Croats involved in this country. We have not. They run the businesses and the government bows to them. Illegal markets like the notorious Renner market make normal business impossible, operate outside the Customs and tax regimes and fund the thugs who run HB. Privatization has taken place in HB for the benefit of the HDZ elite.

The same is most likely true in the Bosniak areas. I don't think our studies have gone as deep and privatization has not taken place.

If we don't move on these thugs, we will have the failed Russian example of privatization to deal with. Only this time it will be on our watch.

It is time to close down the open markets like the Renner and Arizona models and force retailing into the normal channels. We can do so in flash if SFOR and the IPTF cooperate.

VI. Media: Grade 2+: In 1997 I suggested that we move more aggressively and unilaterally impose the then non-operative OBN. Progress has been made on that front. Except, almost no one watches the broadcasts, they are not available countrywide and we have denuded the local media operations of their best people since OBN pays more and more regularly., I want to reverse my previous suggestion and offer the following:

1. Takeover all the transmitters in the country and arrange for all entities stations to be broadcast from all transmitters. Have each transmitter put out the three national networks, at least one "independent" from each group, and prohibit them from carrying the Croatian and Serb originated signals from Zagreb and Belgrade.

2. Have a requirement that each station carry OBN produced programming

at attractive times such that everyone gets a taste of neutral broadcasting.

3. Over time phase out OBN and contract the programming of content neutral programming to the local operations so they will build up their skill base, get back quality employees, and get some indirect financing.

4. As a short term sweetener, arrange for IC subsidies for the cooperating local operations..

VII. Democracy and Governance: Grade 3+: We are still stuck with the same nationalist leaders in all groups. No new generation has evolved. While some Dayton compliant players have emerged, in no way can they be considered "good guys".

Dodik, Poplasen, Plasic, Radisic, et all are still very much connected to Belgrade. I heard that Dodik's drivers and security during the campaign were provided by Milosevic.

The new HDZ gang are even closer to Zagreb than Zubak. Partition is still in on all Croats wish list. What kind of country is it when the Croat population can vote in the elections of Bosnia and Croatia as well as having their own representatives in the Croatian parliament. Wow. This must end.

The Bosniak situation is no better. Most of the leaders are starting to act as if there is going to be Bosniak state carved out, except for idealists like Haris Siladgic. They are doing everything they can to disenfranchise the Croats. We in the west like guys like Ganic and Lagumida. They speak English well, talk the democracy lingo, and "seem" above corruption. They are powerless and have no appeal to the peasant voter in Bosnia who are still moved by ethnic fear and hatred.

Bob Gelbard has done wonders at trying to control this situation. He is faced with the task of single handedly continually trying to shove three octopi into a Mason jar while juggling the IC with the other hand.

Unless we abandon the electoral process, we will likely have to endure these type leaders for 1-2 generations.

All we can do is strive to build a society (the economy, stupid) where a different type leader will appeal.

We can search out and foster the careers of progressive candidates and progressive parties. We ought to intervene actively to promote the leaders and parties who might make this thing work.

7. The International Community Efforts: Grade 4: Cooperation is better than in the past, but we are mired in the same tracks we have followed for three years:

a. We have not moved fast enough from the humanitarian mode(1995-96) and the infrastructure mode(1996-97) to the sustainable economy needs of today.

1.) I am attempting to get USAID to make this switch.

2.) The EU, the second largest donor after the US and World Bank, is still distributing 1996 and 1997 money. It is insufferably slow although after three years of trying we are seeing some movement towards following the USAID model. More importantly, my last conversations with them in Brussels gave no hope of their moving towards a sustainable economy investment policy (as compared to infrastructure).

b. World Bank has become a more cooperative partner in the last two years. We must enlist them in a joint program with us.

c. IMF-Treasury must be enlisted to force a move to end the payments bureau and institute the sort of Central Bank we want. No more "good guys" must be the message. Do it our way or we are out of here.

CONCLUSIONS: I will paraphrase what I said 20 months ago.

"I see three scenarios for Bosnia:

1. We (US and the Europeans) will stay here with a military-police-economic presence long enough to let the "new way" slowly sinking in as we watch them build a market based economic system , have democracy start to take hold ,and a new generation of political leaders takes over. This take 20+ years.

2. We will give up and accept de-facto partition and leave after some time, but with enough of an over the horizon military threat to avoid war. This will take 5 years.

3. We will kid ourselves into believing we have created a multi-ethnic state, leave prematurely and war will resume." 1-4 Years.

We can make a conscious choice to change our direction and execution, or we will continue to spend money and time to little purpose.

Now three years after Dayton, I suggest we rethink the what and the how of our involvement.

file:whatnext.wp6

~~WATO Confidential~~
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REMARKS: Sir, as requested, Key military and supporting troops from OPLAN 10407.
Lt Col Barney Bollinger

WASHFAX OPERATOR (703) 695-2427

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. report	OPLAN 10407. [pages 4 & 5 only] [See also vz6356_002c, this case] [NATO] (2 pages)	11/24/1998	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Kosovo Office (Schulte, Gregory)
OA/Box Number: 1708

FOLDER TITLE:

SFOR [Stabilization Force in Bosnia and Herzegovina] Six-Month Review [3]

2008-0994-F
vz6358

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. note	To Greg Schulte. [Instructions to USNATO on SFOR Six-month Review]. [with fax cover] (2 pages)	11/30/1998	P1/b(1)

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
009. cable	re: Bosnia: POL-MIL Guidance for SFOR Six-Month Review; Urgent Guidance Request for OOB, Nov 30. [NATO] (7 pages)	11/27/1998	P1/b(1)

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